

# TECHNOLOGY

## Almost no one curls up with a good e-book

BY DAVID D. KIRKPATRICK  
The New York Times

**NEW YORK** — Last August, top executives from Microsoft Corp., Barnesandnoble.com and several book publishers assembled at a Midtown Manhattan hotel for a news conference to usher in the coming age of the electronic book.

"We believe the e-book revolution will have an impact on the book industry as great as the paperback revolution of the '60s," Jack Romanos, president of the Simon & Schuster division of Viacom, told a crowd of reporters.

Laurence Kirshbaum, chairman of the books division of AOL Time Warner, pledged to lead the charge: "We want to see electronic publishing blow the covers off of books." Andersen Consulting had recently estimated that by 2005 digital books could account for 10 percent of all book sales.

A year later, however, the main advantage of electronic books appears to be that they gather no dust. Almost no one is buying. Publishers and online bookstores are each the

tions," he said. One problem is that technical snags have prevented millions of users of handheld personal computers operating Microsoft software from being able to read most publishers' electronic books.

Book publishers are counting on the portable computer as a more appealing way to read than the screen of a desktop monitor. But after watching the music industry's piracy problems, book publishers insisted that Microsoft add to its software for reading electronic books much stronger safeguards against unauthorized copying than today's handheld personal computers can accommodate. As a result, hand-held computers using this software cannot display most publishers' books. (Devices using the Palm software can, making them the most popular way to read electronic books, despite eyestrain from their small screens.)

"I feel that was one of our greatest shortcomings," Brass said. He promised that the next generation of hand-held computers using a Mi-

## QUICK HITS

### Nimble Technology raises \$8 million

Seattle-based **Nimble Technology** announced yesterday that it has raised \$8 million in financing, half as much as the company's last venture round but a significant accomplishment given the tight fund-raising climate.

"It is definitely a harder environment out there; people are a lot more cautious," Nimble CEO Suzan DelBene said.

Investors NeoCarta Ventures, Arch Venture Partners and Madrona Venture Group participated in the round.

The money will be used to wrap up development work on the company's first product — an XML-based technology that allows corporations to more effectively retrieve information from databases.

The product is slated to ship next month, DelBene said.

Nimble, with 70 employees, has raised \$25 million in three rounds of financing.

### Aptimus to buy back 10.75 million shares

The board of directors at **Aptimus Inc.**, a struggling online direct-marketing firm formerly known as FreeShop.com, yesterday approved a plan to buy back up to 10.75 million shares of the company's outstanding stock for 48 cents a share.

In March, Nextel scrapped plans to sell shares in Nextel International, which provides wireless service in South America and Mexico, after telecommunications stocks plunged.

### Drugstore.com catalogs to advertise online tab

**Drugstore.com** said it will distribute 1.8 million catalogs to advertise a new tab on the company's Web site. The company said that 1 million of the catalogs will be stuffed into outgoing Amazon.com and drugstore.com packages over the next month. Others were mailed out yesterday.

The catalogs feature items from the company's new Specialty Shops tab. Products offered range from high-end cosmetic products to pet toys.

Some catalog recipients will also be able to order products from the catalog by phone, drugstore.com said. It's the first time that the online retailer, which was founded in 1998 and began selling its products in 1999, has accepted phone orders for non-prescription products, spokeswoman **Kristine Jimenez** said. If the phone-order service is well-received, the company may look at the possibility of broadening the service, Jimenez said.

### Seattle to get new wireless service

Consumers in Seattle are the first

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Andersen Consulting had recently estimated that by 2005 digital books could account for 10 percent of all book sales.

A year later, however, the main advantage of electronic books appears to be that they gather no dust. Almost no one is buying. Publishers and online bookstores say only the very few best-selling electronic editions have sold more than 1,000 copies, and most sell far fewer. Only a few have generated enough revenue to cover the few hundred dollars it costs to convert their texts to digital formats.

"Perhaps we were too-early adapters," Kirshbaum said last week. "We were the early birds who went out to catch the early worms, and there weren't very many."

Patricia Schroeder, president of the Association of American Publishers, which commissioned the study by Andersen Consulting, now known as Accenture, acknowledged that its forecast now seems unrealistic. "That is going to be a stretch, to be honest," Schroeder said. "I think everybody has hit the pause button on e-books for the mo-

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"I feel that was one of our greatest shortcomings," Brass said. He promised that the next generation of hand-held computers using a Microsoft operating system would be able to run the more secure software.

However low their current sales, several publishers noted that some people do appear to be investigating electronic books. They have flocked to the University of Virginia Library's Electronic Text Center, for example, which provides for free electronic editions of classic books. Between last August and mid-June, users downloaded more than 3 million copies of about 1,600 titles, from "Alice in Wonderland" to "Macbeth."

Mary Wolf, who owns Hard Shell Word Factory, based in Amherst Junction, Wis., is one of the few electronic book publishers who says she is making a profit. With a staff of about a dozen, she relies mostly on submissions already re-

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That's an 85 percent premium over yesterday's closing price of 26 cents a share, but nowhere near the company's initial public offering price of \$12 a share.

"This is a great offer for where the world is today," Aptimus CEO **Tim Choate** said. "Most Internet stocks are down 99 percent plus, and it is from Yahoo! to Amazon to everyone else. We are as disappointed in the markets as anyone else, so for where we are today, this is a very good for those that want to leave."

The company, which looked into liquidation and possible sale, plans to fund the stock buyback through its cash reserves. At the end of the second quarter, Aptimus reported a cash position of \$13.6 million.

Aptimus, which is likely to be delisted from the Nasdaq stock market this year, laid off 120 employees, or

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#### Seattle to get new wireless service

Consumers in Seattle are the first in the country to get wireless service letting them take calls or read e-mail without turning off their mobile Internet connection, Cingular Wireless said yesterday.

The company said its Wireless Express includes a new transmission technology, known as general packet radio service, that consumers receive information about four times faster than the current rate.

Cingular expects to roll out the service this fall in California, Nevada and the Carolinas, expanding into its markets by early next year. Spokeswoman Jennifer Pratts said Seattle was first to get the service because Cingular has an extensive work here based on the required GSM (global system for mobile communications) technology.

Only one mobile phone — Motorola

study by Andersen Consulting, now known as Accenture, acknowledged that its forecast now seems unrealistic. "That is going to be a stretch, to be honest," Schroeder said. "I think everybody has hit the pause button on e-books for the moment."

But publishers and online booksellers have not yet lost faith. They say slow sales are caused by clumsy technology, along with high prices for ephemeral, purely digital editions. Some take heart from unexpected pockets of demand among such mainstream readers as devotees of paperback romance novels and thrillers.

The single great exception to the generally dismal sales record is Stephen King's electronic novella, "Riding the Bullet." It ignited last summer's wave of enthusiasm for electronic books, as hundreds of thousands of readers clogged computer servers to download copies, initially offered free. But nothing since then has even come close.

Yet, Dick Brass, vice president for technology development at Microsoft and a prominent cheerleader for the cause, said he always warned that electronic books would not take off right away. Sales so far have met Microsoft's expectations, he said.

"I don't think anything we expected has failed to materialize. I always said it would be eight to 10 years before electronic publishing began to equal paper, and I am willing to live and die by those predic-

tion," says Mary Wolf, who owns Hard Shell Word Factory, based in Amherst Junction, Wis., is one of the few electronic book publishers who says she is making a profit. With a staff of about a dozen, she relies mostly on submissions already rejected by the major publishers.

Hard Shell offers about 300 titles and sells about 6,000 electronic copies a month, more than half romance novels; most of the rest are suspense, science fiction, fantasy and Westerns, she said. It has sold about 8,000 copies of its best-selling romance, "Eye of the Storm," by Kimberly Grey, about a psychic in Albuquerque who falls in love with a detective.

Several of the best-selling electronic books at online bookstores come from Fictionwise.com, ElectricStory.com and e-Reads.com, start-up publishers that focus mainly on selling digital editions of previously published mass-market novels for a few dollars apiece.

The major publishers all say they are continuing to introduce new electronic books, regardless of paltry sales so far. "We continue to get our books in line for the day when the market develops," said Romanos, of Simon & Schuster, who added that he never expected a fast start.

But publishers are also making adjustments. About two months ago, Simon & Schuster began lowering prices, although usually still not below the price of a mass-market paperback.

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Aptimus, which is likely to be delisted from the Nasdaq stock market this year, laid off 120 employees, or 65 percent of its staff, in February, leaving it with 60 people. The 7-year-old company, which has pared its staff in recent months, now employs 30 people.

## Nextel to reduce outstanding debt

**Nextel Communications Inc.**, which sells wireless-telephone service across the United States and is controlled by Eastside billionaire **Craig McCaw**, agreed to rebuy \$857 million in senior notes to reduce outstanding debt.

The Reston, Va.-based company will exchange 21.6 million shares for the Nextel International Inc. unit notes in a private placement, it said in a statement. Money-losing Nextel expects a gain in the third quarter because of the difference between the book value of the notes and the cost of the transaction. It didn't specify the amount of the gain.

Moody's Investors Service put Nextel International's debt ratings on review for a possible downgrade Aug. 1. It cited "the significant weakening of the economies in many of the countries where Nextel International operates, as well as higher capital requirements."

Spokeswoman Jennifer Pattle was first to get the cause. Cingular has an ex-work here based on the GSM (global system for communications) technology.

Only one mobile phone, the Timeport 7389i, which sells for \$300 or \$340, does the length of the service can use the new service.

**AT&T Wireless** already GPRS to its business customers.

Atlanta-based Cingular – the second-largest wireless provider with more than 21.2 million customers – is a joint venture with SBC Communications and

## SNIPPETS

**Microsoft Corp.** said that Namco Ltd., a Japanese company, is working on four titles for its upcoming X game system. . . . Online site Flooz.com Inc., backed by Seattle venture firm **Maveron** and made with billboards and TV ads featuring Whoopi, has shut down and plans bankruptcy protection, the company announced on Monday.

**Quick Hits** is written by P-I reporter **Marni Leff** and **Dan Riccio**. This report includes information from the Associated Press and Bloomberg.

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